

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 EPG-02 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 OMB-01 INT-05 FEA-01 ITC-01

/070 W

-----039386 230020Z /20

R 221727Z JUL 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 1012

INFO USMISSION GENEVA

AMEMBASSY PARIS

AMEMBASSY WARSAW

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USEEC

GENEVA FOR MTN

PARIS FOR OECD

E.O.11652: N/A

TAGS: EEC, ETRD, EMIN

SUBJECT: EC COMMISSION PROPOSAL FOR MORE INFORMATION

ON COAL IMPORTS

1. THE EC COMMISSION HAS APPROVED A DRAFT RESOLUTION CALLING FOR COMMUNITY SURVEILLANCE OF COAL IMPORTS FROM NON-EEC COUNTRIES. UNDER THE PROPOSAL, MEMBER STATES WOULD SEND THE COMMISSION QUARTERLY REPORTS ON IMPORTS INCLUDING TONNAGE, AVERAGE PRICE, COUNTRY OF ORIGIN, AND DURATION OF THE SUPPLY CONTRACT.

2. THE DECISION IN FAVOR OF GREATER IMPORT SURVEILLANCE THROUGH MORE TIMELY AND COMPREHENSIVE REPORTING CAME AFTER THE ENERGY COUNCIL SHOWED ITSELF UNWILLING TO  
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CONSIDER THE COMMISSION'S ORIGINAL PROPOSAL--THE ESTABLISHMENT OF AN AUTOMATIC IMPORT LICENSING SYSTEM (REFTEL).

3. COAL PRODUCERS ARE WORRIED BY AN INCREASE OF COAL IMPORTS OF MORE THAN 50 PERCENT BETWEEN 1973 AND 1976--A PERIOD DURING WHICH TOTAL CONSUMPTION WAS

DECREASING. COMMISSION OFFICIALS ADMIT THAT THE RISING LEVEL OF IMPORTS IS CAUSING CONCERN BUT REMAIN FIRMLY OPPOSED TO ANY ACTION TO RESTRICT IMPORTS. COMMISSION OFFICIALS VIEW THE IMPORT QUESTION AS ONE OF DECREASING COMPETITIVENESS OF EC COAL BECAUSE OF DIFFICULT GEOLOGICAL CONDITIONS AND HIGH LABOR COSTS. (WHAT DUMPING DOES OCCUR, THEY SAY, IS DONE BY POLISH, AND NOT US, EXPORTERS.) THESE OFFICIALS INSIST THAT THE ONLY AIM OF THE IMPORT SURVEILLANCE PROGRAM IS TO OBTAIN A BETTER IDEA OF HOW THE IMPORT MARKET INTERACTS WITH EC PRODUCTION AND THAT THIS INFORMATION WILL BE USED TO PLAN A SMOOTH ADJUSTMENT OF EC PRODUCTIVE CAPACITY. EC COAL OFFICIALS TOLD MISSION OFFICER THAT THIS COULD EVENTUALLY MEAN EXTENDING THE SYSTEM OF SUBSIDIES PRESENTLY IN EFFECT FOR EC-PRODUCED COKING COAL TO INCLUDE COAL FOR USE IN POWER STATIONS.

4. MUCH OF THE PRESENT DISTRESS IN THE COAL INDUSTRY IS TIED TO THE LACK OF OPTIMISM REGARDING STEEL INDUSTRY PROSPECTS. THE DEPRESSED STATE OF THE STEEL INDUSTRY HAS HAD A SEVERE IMPACT ON THE MARKET FOR COKING COAL AND HAS LED TO A LARGE STOCK BUILDUP EQUAL TO THREE MONTHS SUPPLY. AT THE SAME TIME, THE PRODUCTION COSTS OF THE COAL ARE SO HIGH THAT IT IS DIFFICULT TO SELL IT AS STEAM COAL IN POWER GENERATING STATIONS WHERE DEMAND HAS INCREASED MARKEDLY BUT WHERE COAL FROM THE US AND POLAND IS MORE COMPETITIVE. ONLY LIMITED OFFICIAL USE

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THE UK COAL IS REALLY COMPETITIVE IN THIS MARKET AND THAT IS DUE NOT SO MUCH TO HIGHER PRODUCTIVITY THAN OTHER EC PRODUCERS, BUT TO THE DEPRECIATION OF THE POUND.

5. THE COMMISSION INTENDS TO SEND ITS PROPOSAL TO THE EC COUNCIL IN SEPTEMBER AND EC OFFICIALS ARE CONFIDENT THAT IT WILL BE APPROVED WITHOUT DISCUSSION. HINTON

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Date:** 22 May 2009  
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**Review Markings:**  
Margaret P. Grafeld  
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